



County of Los Angeles  
**CHIEF ADMINISTRATIVE OFFICE**

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DAVID E. JANSSEN  
Chief Administrative Officer

Board of Supervisors  
GLORIA MOLINA  
First District

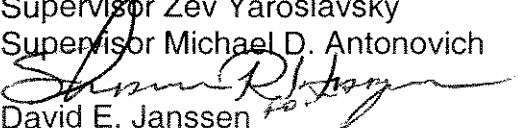
YVONNE BRATHWAITE BURKE  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

December 23, 2003

To: Supervisor Don Knabe, Chairman  
Supervisor Gloria Molina  
Supervisor Yvonne Brathwaite Burke  
Supervisor Zev Yaroslavsky  
Supervisor Michael D. Antonovich  
From:   
David E. Janssen  
Chief Administrative Officer

**SACRAMENTO UPDATE**

**Senator Responds to Governor's Vehicle License Fee Backfill Action**

The saga of the Vehicle License Fee (VLF) backfill continued today as Senator Wes Chesbro, Chair of the Joint Legislative Budget Committee, issued a letter to the Director of Finance stating that their Section 27 letter regarding VLF backfill does not meet the letter or the intent of Section 27, and is not appropriate.

The letter goes on to give the specific reasoning behind the Senator's conclusion: Section 27 is limited in application to nondiscretionary spending and unanticipated expenditures in an existing program; and more importantly, that Section 27 does not provide appropriation authority. The letter closes with a statement that the "administration's proposal represents a flagrant misuse of Section 27 and a serious infringement of legislative powers."

**Department of Finance Authorizes Additional Federal Funds for Child Support**

In addition, our Sacramento Advocates have learned that the Department of Finance (DOF) has authorized appropriation of \$19.8 million in additional Federal Trust Fund expenditure authority. It is our understanding that approximately \$2.7 million of this amount will come to the County Department of Child Support. The DOF letter is attached.

Each Supervisor  
December 23, 2003  
Page 2

We will continue to keep you informed.

DEJ:GK  
MAL:ib

#### Attachments

c:     Executive Officer, Board of Supervisors  
       County Counsel  
       Local 660  
       All Department Heads  
       Legislative Strategist  
       Coalition of County Unions  
       California Contract Cities Association  
       Independent Cities Association  
       League of California Cities  
       City Managers Associations  
       Buddy Program Participants

# Joint Legislative Budget Committee

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VICE CHAIR

JENNY DROPEZA

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DEDD ALPERT  
JIM BATTIN  
JOSEPH DUNN  
TOM MCCLINTOCK  
JACK SCOTT  
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GOVERNMENT CODE SECTIONS 9140-9143

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JACKIE GOLDBERG  
LOUI HANCOCK  
KEVIN MCCARTHY  
JOE NATION  
DARRELL STEINBERG

## CALIFORNIA LEGISLATURE

LEGISLATIVE ANALYST  
ELIZABETH G. HILL

915 L STREET, SUITE 1000  
SACRAMENTO, CALIFORNIA 95814  
(916) 445-4656

December 23, 2003

Ms. Donna Arduin, Director  
Department of Finance  
Room 1145, State Capitol  
Sacramento, California 95814

Dear Ms. Arduin:

In a letter dated December 18, 2003, you notified me, pursuant to Section 27.00 of the 2003-04 Budget Act, of your intention to increase General Fund payments to local governments ("Vehicle License Fee [VLF] backfill") by \$2.652 billion. You noted your intention to provide \$148.8 million of this amount through reductions from other budgetary appropriations. You also contended that the action requires an emergency authorization.

I find the request does not meet the letter or intent of Section 27.00 and is inappropriate. Below, I outline Section 27.00's intended use and my concerns with your proposal.

### Section 27.00's Authority

*Use of Section 27.00 Is Limited.* Section 27.00 is a limited delegation of legislative powers to allow the administration to address unexpected circumstances after the passage of the budget. Through the section, the administration can be given the authority to spend funds at a rate that will require a subsequent deficiency appropriation by the Legislature. The use of the section is limited by a number of criteria, including:

- Cases of nondiscretionary spending.
- Cases of unanticipated expenses in an existing program.

Section 27.00 is intended to allow adjustments when program costs exceed their budget estimates (such as an increase in the program's caseload) or the state experiences a disaster (the Southern California fires earlier this year). In other words, it is intended to allow adjustments to spending amounts, *consistent with the Legislature's policy objectives* as reflected in the annual budget. It is not intended to provide an alternative to the regular budget process for changing policy decisions.

**Section 27.00 Does Not Provide Appropriations.** When a Section 27.00 request is authorized, the appropriation for the affected budget item is not automatically increased. Rather, the deficiency authorization only permits the administration to spend at a rate which would necessitate an additional appropriation. In order to receive the increased appropriation, Section 27.00 specifically requires the Legislature to approve an appropriation bill by March 1, 2004 (for those deficiencies authorized prior to the release of the Governor's January 10 budget). This deficiency bill is the main mechanism for the Legislature to exercise its constitutional power of appropriation.

**Emergency Actions.** In most cases, a deficiency requires notification to the Legislature 30 days *prior* to the authorization being finalized. The Legislature uses this time to evaluate the proposal and take appropriate action. In even more limited circumstances, Section 27.00 allows DOF to authorize deficiencies involving emergency expenditures. Emergencies are defined as conditions of "disaster or extreme peril that threaten the health or safety of persons or property within the state." In cases of emergencies, DOF is required to notify the Legislature within ten days *after* DOF has approved the emergency expenditure.

**Ability to Transfer Funds.** In order to avoid the need for a deficiency, Section 27.00 (b) allows DOF to transfer funds from one item of appropriation (up to 5 percent of its total) to other items of appropriation. In these cases, DOF must provide the Legislature 30 days to review the transfers.

#### Proposal Raises Serious Concerns

I have several serious concerns with your proposal.

**Proposal Is Not a Deficiency.** Under the basic VLF backfill statute, funds to local governments are provided through a continuous appropriation (eliminating the need for an annual budget appropriation). To prevent this continuous appropriation authority from being exercised in the current year, the Legislature appropriated \$1,000 in Item 9100 (Tax Relief) of the budget and specified that the \$1,000 was in lieu of any

other VLF backfill appropriation. In the view of the Legislative Analyst, this action represents the Legislature's policy determination to spend a minimal amount on the backfill in 2003-04 absent further appropriations for this purpose. The administration's proposal to increase funding for this purpose by \$2.6 billion represents a major revision to legislative policy and is completely disproportionate to the amount of spending authorized by the budget. As such, the proposal attempts to transform Section 27.00 from a budget adjustment tool into an alternative to the budget process.

**DOF Inappropriately Assumes Legislature's Appropriation Authority.** As noted above, making appropriations is solely the authority of the Legislature. Yet your notification letter asserts that you have "approved a deficiency appropriation" (emphasis added) of \$2.5 billion. Given the in-lieu appropriation, however, the Legislative Analyst believes the Legislature has not provided to the administration in the budget act or other state law, any appropriation authority which DOF can access to cover this proposed backfill expense. Consequently, without a specific appropriation from the Legislature, the Controller has no authority to implement the administration's proposal.

**Transfers Require 30-Day Notification.** As described above, the proposal fails to meet the tests for a deficiency authorization. However, even if the request were for a legitimate deficiency, the administration appears to believe that it can implement the \$149 million in transfers without a 30-day notification period as part of Section 27.00's emergency provisions. Yet, Section 27.00 (b) provides no such ability to circumvent the 30-day period for transfers. Consequently, the administration is always obligated to wait the 30 days before implementing budget transfers to avoid deficiencies under Section 27.00 (b).

**Emergency Criteria Not Met.** The emergency provision of Section 27.00 has historically been used to respond to specific and urgent incidents—such as natural disasters. In this case, the administration has not put forth any evidence of specific disaster or peril. Rather, the administration relies on a broad assertion that the reduction of local spending will impair public safety. You have provided no analysis of individual local government finances that would suggest an imminent threat to health or safety. If the administration were to provide such an analysis, the Legislature has in the past addressed individual local governments' financial situations through legislation specific to their needs.

#### **Other Avenues Available to Address Issue**

The administration's proposal represents both a flagrant misuse of Section 27.00 and a serious infringement of legislative powers. The decision to provide backfill revenues to local governments is an important legislative consideration. As you know, there are numerous bills pending before the Legislature to address this problem, including the

Ms. Donna Arduin

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December 23, 2003

unique situation of a limited number of cities and counties who face particular hardship due to their disproportionate reliance on the VLF. The Section 27.00 process, however, is not the appropriate venue for that decision.

Sincerely,

A handwritten signature in black ink, appearing to read "Wesley Chesbro", with a long horizontal flourish extending to the right.

Wesley Chesbro  
Chair

cc: Members of the Joint Legislative Budget Committee

STATE OF CALIFORNIA  
SECTION 28.00/28.50 APPLICATION  
F-47 (REV 05/97)

Department of Finance

915 - L Street

Sacramento, CA 95814

Please report dollars in thousands.

DEPARTMENT <b>CHILD SUPPORT SERVICES</b>	ITEM NO./ FISCAL YEAR <b>5175-101-0890</b>	NOTIFICATION LETTER TO LEGISLATURE: <input checked="" type="checkbox"/> 30 DAY NOTICE <input type="checkbox"/> REQUEST WAIVER OF 30 DAY NOTICE	
REQUESTED FUNDING ADJUSTMENT <input checked="" type="checkbox"/> SECTION 28.00 <input type="checkbox"/> Section 28.50	PROGRAM TITLE PER GOVERNOR'S BUDGET: <b>CHILD SUPPORT SERVICES</b>		
FUNDING (SPECIFY FUND)	CURRENTLY BUDGETED	REQUESTED CHANGE (+) OR (-)	TOTAL
<b>175-101-0890</b>	<b>383,107</b>	<b>+19,800</b>	<b>402,907</b>

## CHECK APPROPRIATE BOX(ES)

- ☐ PROVISIONS 1-4 OF SECTION 28 (B) HAVE BEEN SATISFIED. (Provide additional information as necessary.)
- ☐ ONE-TIME EXPENDITURE.
- ☐ ONGOING COMMITMENT FROM THIS SOURCE.
- ☐ STATE MATCHING FUNDS REQUIRED. (If checked, explain under program proposal.)
- ☐ EXPENDITURE EITHER SUPPLEMENTS OR REPLACES AN EXISTING STATE-FUNDED PROGRAM. (If checked, explain under program proposal.)

## PROGRAM PROPOSAL (Attach additional information as necessary.)

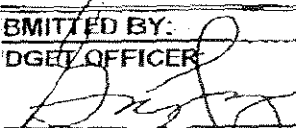
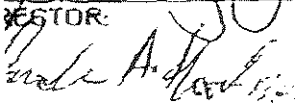
TITLE: <b>increase Federal Authority</b>	STATUTORY AUTHORITY: (State, federal, as appropriate)
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## DESCRIPTION:

ie DCSS requests increased Federal Trust Fund expenditure authority in Item 5175-101-0890.

## JUSTIFICATION: (Must include need for current year implementation and reason it can't wait till next fiscal year.)

ie DCSS requests increased Federal Trust Fund expenditure authority of \$19,800,000 pursuant to section 28.00 of the Budget Act of 2003. The \$19.8 million Federal Trust Fund expenditure authority is a one-time request to match the \$10.2 million in county general funds or remaining health incentive funds identified by the Local Child Support Agencies (LCSA) in order to minimize the impact of layoffs and staff reductions during the 2003/04 fiscal year.

SUBMITTED BY:		APPROVED BY DEPARTMENT OF FINANCE:	
DIRECTOR OFFICER: 	DATE: 12/3/2003	DATE SUBMITTED TO LEGISLATURE: DEC - 8 2003	
MANAGER: 	DATE: 12/3/2003	PPBA:	DATE:



**DEPARTMENT OF  
FINANCE**  
OFFICE OF THE DIRECTOR

ARNOLD SCHWARZENEGGER, GOVERNOR  
STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

December 8, 2003

Honorable Wesley Chesbro, Chair  
Joint Legislative Budget Committee  
Senate Budget and Fiscal Review Committee

Honorable Jenny Oropeza, Chair  
Assembly Budget Committee

Honorable Dede Alpert, Chair  
Senate Appropriations Committee

Honorable Darrell Steinberg, Chair  
Assembly Appropriations Committee

**Section 28.00--Department of Child Support Services**

Pursuant to the provisions of Section 28.00, Budget Act of 2003, the following report is respectfully submitted.

The Department of Finance has received the attached Section 28.00 application from the Department of Child Support Services (DCSS) for the purpose of increasing Federal Trust Fund expenditure authority by \$19.8 million in Item 5175-101-0890.

The Budget Act of 2003 included a reduction of \$108.8 million (\$37 million General Fund) to Local Child Support Administration funding. Subsequent to the enactment of the Budget, a number of counties have requested to use county General Fund and remaining health insurance incentives to partially backfill this reduction and to draw down a federal match on these funds. The aggregate amount of county funds that the counties have proposed to use is \$10.2 million. In some instances, these additional county and federal funds may mitigate layoffs at the county level. In order to draw down the federal funds to match the county funds, the DCSS requests that increased expenditure authority be provided in Program 10.01--Child Support Administration.

We concur with the necessity of this change to the approved budget and will be approving the Section 28.00 application not sooner than 30 days from the above date.

If you have any questions or need additional information regarding this matter, please call Mr. Don A. Rascon, Principal Program Budget Analyst, at (916) 445-6423.

DONNA ARDUIN

Director

By:

Original Signed by:  
Michael C. Genest

MICHAEL C. GENEST  
Chief Deputy Director

Attachment

cc: On next page



cc: Honorable Richard Ackerman, Vice Chair, Senate Budget and Fiscal Review Committee  
Honorable John Campbell, Vice Chair, Assembly Budget Committee  
Honorable Wesley Chesbro, Chair, Senate Budget and Fiscal Review  
Subcommittee No. 3  
Honorable Judy Chu, Chair, Assembly Budget Subcommittee No. 1  
Ms. Elizabeth Hill, Legislative Analyst (3)  
Mr. Danny Alvarez, Staff Director, Senate Budget and Fiscal Review Committee  
Ms. Anne Maitland, Staff Director, Senate Appropriations Committee  
Fiscal Director, Senate Minority Fiscal Office  
Ms. Diane Cummins, Senate President pro Tempore's Office  
Mr. Christopher W. Woods, Chief Consultant, Assembly Budget Committee  
Mr. Geoff Long, Chief Consultant, Assembly Appropriations Committee  
Mr. Peter Schaafsma, Staff Director, Assembly Minority Fiscal Committee  
Mr. Kevin Bassett, Chief Consultant, Assembly Republican Leader's Office  
Mr. Craig Cornett, Assembly Speaker's Office (2)  
Ms. Jan Sherwood, Deputy Director, Administration Division, Department of Child Support  
Services  
Ms. Annette Siler, Assistant Deputy Director, Financial Services  
Mr. Gary Fujii, Chief, Financial Planning